

ADMINISTRATIVE
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File Security

STATINTL

18 SEP 1978

MEMORANDUM FOR: Deputy Director for Science and Technology

FROM:

[REDACTED]
Acting Director of Logistics

SUBJECT: Contractual and Industrial Security Oversight

REFERENCES: (a) Recommendation #24 of the Final Report by the Task Force on Industrial Contracting and Industrial Security

(b) Memo to DDS&T, dtd 7 Jul 78, fm D/L,
Subject: Preparation and Review of
Fitness Reports for Senior Contracting Officers Assigned to DDS&T

1. Action Requested: It is requested that Letters of Instruction (LOI's) for Chief, Procurement Management Staff, DDS&T (C/PMS/DDS&T), and Chief, Contracts Staff, OD&E (C/CS/OD&E), be routed through this Office for coordination and concurrence prior to final issuance.

2. Background: The reference (a) Task Force recommendation is that the Directors of Logistics and Finance participate jointly with Agency procurement components in preparing LOI's. The recommendation goes on to require that the Directors of Logistics (D/L) and Finance prepare written evaluations of their personnel assigned to industrial contracting teams to insure assessment of their technical performance. This recommendation was approved by the Deputy Director of Central Intelligence, dated 10 July 1978. Reference (b) obtained the concurrence of the DDS&T, with direction in Mr. Carlucci's memorandum of 9 June 1978, which required that the D/L or Chief, Procurement Management Staff, Office of Logistics, be the reviewing officer for fitness reports for senior contracting officers assigned to DDS&T.

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SUBJECT: Contractual and Industrial Security Oversight

3. Staff Position: While the reference (a) Task Force recommendation refers to all contracting officers in the DDS>, we recognize that negotiators working for the individual teams are evaluated by contracting officers who have expertise in their substantive field. Reviewing comments on the contracting officers, headed up by the various teams, will be written either by C/PMS/DDS&T or by C/CS/OD&E. We are, therefore, only concerned with the fitness reports and LOI's for the two positions previously cited. We understand that action has already been initiated to prepare LOI's for these two officers. However, in accordance with the Task Force recommendation, we are requesting an opportunity to coordinate and concur with same.

4. Recommendation: None.

STATINTL


Acting Director of Logistics

cc: ADDA

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DD/A Registry

78-3253/6

DD/A Registry

File

Spec Security
Inc Sec App

Executive Registry

J78-9280/2

10 JUL 1978

MEMORANDUM FOR: Deputy Director for Administration
 Deputy Director for Science and Technology
 General Counsel
 Legislative Counsel
 Inspector General

FROM: Frank C. Carlucci
 Deputy Director of Central Intelligence

SUBJECT: Contractual and Industrial Security Oversight

25X1A REFERENCES: (a) [REDACTED] 78, dated February 1978,
 Subject: Industrial Contracts and
 Industrial Security Final Report

25X1A (b) [REDACTED] 77, dated December 1977,
 Subject: Industrial Security Interim
 Report

(c) Multiple Addressee Memo, dated June
 1978, fm DDCI, same subject

1. (U) Action Requested: Addressees are requested to implement the direction in paragraph 3 as soon as practicable.

2. (S) Background: In September 1977, the Acting DCI established a task force to make a comprehensive review of our organization structure, policies, and procedures by which we carry out our program of industrial contracting and industrial security. The reports of the task force are included in References (a) and (b), and were the subject of Executive Advisory Group (EAG) meetings on 18 April and 23 May 1978. In Reference (c), I directed the implementation of various task force recommendations and requested feedback on implementation progress. That same memorandum requested that the DDA provide advice on the suitability for adoption of remaining task force recommendations.

E2 IMPDET
 CL BY: 269191

SECRET

SUBJECT: Contractual and Industrial Security Oversight

3. (S) Staff Position: The DDA, after consultation with various officers in his directorate and the DDS&T, has recommended and I am hereby directing the implementation of the following recommendations which are included in Reference (c):

<u>Recommendation</u>	<u>Component</u>
2	OL
7	*OLC/OGC
8	OL
9	OL
10	DDS&T
12	*OL, OS, OC, DDS&T
13	*OTR, OS, OL, DDS&T
15	IG
16	OF
17	IG
18	*OL, OGC, DDS&T
20	OL
21	OL
22	IG
24	OL, OF
27	*OS, OL, DDS&T

Asterisks identify the components with primary responsibility. The DDA has been assigned responsibility for monitoring progress on implementation of task force recommendations.

25X1A

/s/ Frank C. Carlucci

Frank C. Carlucci

cc: ER
DDCI

Distribution:

- 1 each Addressee
- 2 - DDA *Subject*
- 1 - OL Official

5 JUL 1978

Date

James H. McDonald
Director of Logistics

DD/A Registry
78-2253-7

5 JUL 1978

Executive Registry
78-9280/

MEMORANDUM FOR: Deputy Director of Central Intelligence
FROM: John F. Blake
Deputy Director for Administration
SUBJECT: Contractual and Industrial Security
Oversight
REFERENCE: Multiple Addressee Memo, dtd 9 Jun 78,
fm DDCI, same subject

Frank:

1. Your referent memorandum directed or approved various actions which emanated either from the Task Force on Industrial Contracts and Industrial Security, or from discussions by the Executive Advisory Group (EAG) during their meetings on 18 April and 23 May. You asked that I get back to you within 60 days with a report on progress being made on implementation of the various approved actions. You also asked that I provide advice on whether certain other recommendations, which were not discussed by the EAG, should be approved or disapproved.

2. I am pleased to be able to report that substantial progress has been initiated on the various approved recommendations. There is attached herewith a report, entitled "Contractual and Industrial Security Oversight," which lists the various recommendations, the approval status, the action office and progress through 27 June on implementation.

3. As a further action you asked in the referent memorandum that I review Recommendations #2, #7 through #10, #12, #13, #15 through #24, and #27 (pages 5 through 10 of attached report) of the Industrial Contracts and Industrial Security Final Report for suitability of adoption and advise you regarding same within 30 days. I have consulted with

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attachment

E2 IMPDET
CL BY: 269191

SUBJECT: Contractual and Industrial Security Oversight

the Offices of Security and Logistics within my directorate and with the DDS&T and, based on their advice, advise adoption of all of the recommendations except #19 and #23. Recommendation #19 calls for designation of a Deputy Director of Logistics for Procurement. This recommendation anticipated a single delegation of procurement authority and, since we have continued the dual delegation, is no longer considered necessary by the Director of Logistics. Recommendation #23 would have assigned a special working group to develop procedures for implementing other recommendations. We have since moved to implement the recommendations in question and consider the working group unnecessary.

4. If you agree that recommendations in paragraph 3 should be adopted, it is requested that you approve implementation by signing the attached multiple addressee memorandum.

7/5/78 **Jack Blake**

John F. Blake

Att

cc: ER w/att

Distribution:

25X1A

Orig - Addressee w/att
2 - DDA w/att - *Subject*
1 - OL Official w/att

Originating Office:

[REDACTED]
James H. McDonald
Director of Logistics

7/5/78
Date

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Approved For Release 2001/07/12 : CIA-RDP81-00142R000600070015-6

ATTACHMENT

25X1A

CONTRACTUAL AND INDUSTRIAL SECURITY OVERSIGHT
STATUS AT 29 June 1978

RECOMMENDATION OR DIRECTION	APPROVAL	STATUS	ACTION ASSIGNED TO	NECESSARY FOR IMPLEMENTATION	TARGET COMPLETION DATE	STATUS	COMMENT/RECOMMENDATION
<u>Industrial Security Interim Report</u>	EAG DDCI	4/18/78 6/2/78	OGC	No action required. Ratification of existing procedure.	N/A	Complete	Reinforcement of premise included in Procurement Note [redacted]
<u>Recommendation #1:</u> That remedies available in contract law be used as the primary means of enforcing contractor compliance with industrial security standards.	EAG DDCI	4/18/78 6/2/78	OGC/OLC	No information	Not determined	No action	No reply from OLC
<u>Recommendation #2:</u> That the Agency explore legislation which would empower the DCI to impose sanctions on industrial security contractors who fail to conform to security performance standards.	EAG DDCI	4/18/78 6/2/78	D/Sec	Revision of HR [redacted]	9/30/78	RCB has action for RCB	Draft regulation in for coordination by RCB
<u>Recommendation #3:</u> That Director of Security responsibilities for the Agency Industrial security effort be clearly defined in the Office of Security series of Agency regulations.	EAG DDCI	4/18/78 6/2/78	D/CO	Revise HR [redacted] to reflect D/CO responsibility as recommended		The regulation change has been drafted and will be coordinated with DDA elements during the week of 3 Jul 1978	None
<u>Recommendation #4:</u> That Agency regulations be revised to clearly charge the Director of Communications with responsibility for and enforcement of communications security at Agency-sponsored contractor facilities, including those of National Programs.	EAG DDCI	4/18/78 6/2/78					

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PRODUCED

2 IMPDET CL BY 269191

25X1A
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<u>RECOMMENDATION OR DIRECTION</u>	<u>APPROVAL</u>	<u>STATUS</u>	<u>ACTION ASSIGNED TO</u>	<u>NECESSARY FOR IMPLEMENTATION</u>	<u>TARGET COMPLETION DATE</u>	<u>STATUS</u>	<u>COMMENT/RECOMMENDATION</u>
<u>Industrial Security Interim Report</u>	EAG DDCI	4/18/78 6/2/78	D/Sec	Revision of HR [redacted]	Draft revision of HR [redacted] to RCB	RCB has action for Agency coordination	<i>Draft regulations in for coordination by RCB</i>
<p><u>Recommendation #5:</u> That Agency regulations be strengthened to give the Director of Security clear responsibility for the overall coordination of the entire industrial security effort of the Agency and for ensuring that classified procurement security support is well organized and effective. These regulations should include provision for:</p> <p>--Security audits of procurement security management practices within Agency components as well as security audits of contractor facilities;</p> <p>--Technical supervision of all industrial security officers including establishment of comprehensive reporting requirements; and</p> <p>--Implementation of an Industrial Counterintelligence Program, including the scheduling of audio countermeasures inspections of contractor facilities and the establishment of a close working liaison with the FBI with respect to industrial security.</p>							
<p><u>Recommendation #6:</u> That the Director of Security be required to prepare a written review of the fitness reports of all industrial security officers as to their performance in carrying out his security policy.</p>	EAG DDCI	4/18/78 6/2/78	D/Sec	New LOIs for ISOs plus review of fitness reports	9/78	LOIs under review by OS. Fitness report reviews not initiated.	None

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<u>RECOMMENDATION OR DIRECTION</u>	<u>APPROVAL</u>	<u>STATUS</u>	<u>ACTION ASSIGNED TO</u>	<u>NECESSARY FOR IMPLEMENTATION</u>	<u>TARGET COMPLETION DATE</u>	<u>STATUS</u>	<u>COMMENT/RECOMMENDATION</u>
<u>Industrial Security Interim Report</u>	EAG DDCI	4/18/78 6/2/78	D/SEC		7/0/78	Action initiated	First meeting held with ODP representatives.
Recommendation #7: That the Director of Security develop a centralized index of the industrial security status of contractor personnel and facilities to improve security oversight.	EAG DDCI	4/18/78 6/2/78	IG	No information	None	Unknown	No info from IG
Recommendation #8: That the Inspector General perform periodic functional reviews of the Agency Industrial Security Program.	EAG DDCI	4/18/78 6/2/78	D/CO	Plan for staffing contractor stations with Agency communicators was approved by the DDA on 6 Apr 78 (OC-M78-266)	[REDACTED] [REDACTED] 7 positions are to be filled by Sept 1978. (OC-M78-266)	Designees identified for 6 of 7 positions. 2 designees already in place. Positions identified.	None
25X1A						approved for 1979.	
25X1A							
Recommendation #10: That the Director of Security be responsible for monitoring the security responsibilities of the contractor. The enforcement of contract terms, including those covering security performance, remain the responsibility of the contracting officer.	EAG DDCI	4/18/78 6/2/78	D/Sec D/L	Memo to contracting personnel to remind them of necessity for monitoring and enforcing security requirements.	6/23/78	Complete	This is only a reenforcement of existing responsibility. Procurement Note No. 116 issued. OS already monitoring contractors.

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<u>Industrial Security Interim Report</u>	EAG DDCI	4/18/78 6/2/78	D/Sec	Realignment of inspection responsibilities	30 days after realignment	Initial meeting held with OD&E and OL security staffs	None
Recommendation #11: That procedures be revised to provide for a single Industrial Security Officer to be responsible for inspection and policy guidance at each contractor facility wherever cover and operational security permit.	EAG	4/18/78 6/2/78	D/Sec	Management approval and implementation	To be determined	Planning stage	ACM augmentation placed above the DCI Guidance Level and, as a consequence, is not in the picture through FY 1980.
Recommendation #12: That the necessary staff realignment and augmentation be approved and that added contractor costs be absorbed by the sponsoring office.	EAG	4/18/78 6/2/78	D/Sec				Augmentation of the Agency program is being requested in a paper prepared by the Director of Logistics and forwarded to the DDA along with the [redacted] realignment proposal.
25X1A							Augmentation of the National Program is being addressed by the DDS&T this week.

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RECOMMENDATION OR DIRECTION	APPROVAL	STATUS	ACTION ASSIGNED TO	NECESSARY FOR IMPLEMENTATION	TARGET COMPLETION DATE	STATUS	COMMENT/RECOMMENDATION
<u>Industrial Security Interim Report</u>	EAG DDCI	4/18/78 6/2/78	D/Sec	Revision of existing manuals	9/78	A draft of Agency program industrial security policies is in review	Revised from August 1978
Recommendation #13: That a uniform industrial security manual (currently in preparation) be completed at the earliest possible date and that the performance standards contained therein with appropriate annexes be incorporated in the provisions-of-classified Agency contracts. Community-wide coordination and acceptance of the uniform manual should be encouraged.	EAG DDCI	4/18/78 6/2/78	D/Sec	Instructions to ISOs plus initiation	7/78	In process	Instructions will go to ISOs in July
Recommendation #14: That the Director of Security periodically review variances and waivers recommended by industrial security officers to ensure compliance with Agency security policy.	EAG DDCI	4/18/78 6/2/78	D/Sec	Directive to all contracting personnel to establish requirement	7/6/78	Action plan established	LI prepared with security check list. Target date revised from 6/23/78
Recommendation #15: That "requests for proposals" which anticipate classified contracts describe security requirements and require that the contractor include in his proposal his plan for satisfying those requirements.	EAG DDCI	4/18/78 6/2/78	D/L	Procurement Note No. 103 issued 9/9/77	completed 9/9/77	complete	None.
Recommendation #16: That contractor performance in the security area be considered as a critical element for consideration in the contracting officer's determination of responsibility prior to awarding contracts.	EAG DDCI	4/18/78 6/2/78	D/L				

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<u>Industrial Security Interim Report</u>							
Recommendation #17: That incentive/award fee type contracts include security performance along with other performance requirements as a basis for fee determination.	EAG DDCI	4/18/78 6/2/78	D/L	Directive to all contracting personnel to establish requirement/	6/16/78	Complete	Procurement Note No. 115 issued
Recommendation #18: That classified contracts shall incorporate specific security performance standards as well as language that stresses the importance of complying with all security requirements.	EAG DDCI	4/18/78 6/2/78	D/Sec OGC	Stronger contract clause	7/78	[REDACTED]	Manual status handled under ISIR #63 [REDACTED] pushing for completion by 7/7/78
<u>Industrial Security Final Report</u>					25X1A		
Recommendation #1: That there be one delegation of contracting authority from the DCI to the D/Log with redelegation of that authority to the contracting officers for National and CIA Programs.	Disapproved EAG DDCI	5/23/78 6/2/78				N/A	Disapproved. No action necessary.
Recommendation #2: That decentralized contracting procedures be continued as the most cost effective method of carrying out Industrial R&D contracting.		No determination. Recommendation requested by DDCI.					Approval recommended. OL, DDS&T
Recommendation #3 (ISIR #4): That Agency regulations be revised to charge the D/Sec with specific responsibility for the physical security protection of communications centers located at Agency-sponsored contractor facilities, including those of National Programs, and also be revised to charge the D/CO with specific responsibility for emanations, transmission and cryptographic security protection at these facilities.	EAG DDCI	4/18/78 6/2/78	None	Revision of regulations	To be determined	Action initiated	Draft regulations in coordination.

<u>RECOMMENDATION OR DIRECTION</u>	<u>APPROVAL</u>	<u>STATUS</u>	<u>ACTION</u>	<u>NECESSARY FOR IMPLEMENTATION</u>	<u>TARGET COMPLETION DATE</u>	<u>STATUS</u>	<u>COMMENT/RECOMMENDATION</u>
<u>Industrial Security Final Report</u>							
Recommendation #4 (ISIR #6): That the D/Sec participate jointly with Agency procurement components in preparing Letters of Instruction (LOIs) for each ISO and to prepare, as part of the fitness report cycle, a written evaluation of his or her performance in carrying out security policy.	EAG DDCI	4/18/78 6/2/78	None	New LOIs for ISO plus review of fitness reports	9/78	LOIs under review in OS. Fitness report reviews not initiated.	None
) The D/Sec's evaluation will be shown to the officer concerned and forwarded to the Office of Personnel (OP) for inclusion in the officer's official personnel file.				25X1A			
Recommendation #5 (ISIR #5): That Agency regulations include provision for the D/Sec to exercise functional supervision over all ISOs and to set up comprehensive reporting requirements which will include a direct channel of communication between each ISO and the OS.	EAG DDCI	4/18/78 6/2/78	D/Sec	Revise HR [REDACTED]	Draft revised regulation to RCB	In RCB for coordination	Target date for final HR issue undetermined. Commo channel established.
Recommendation #6: That the D/SEC examine the ISO support structure in order to recommend to the contracting components effective functional realignment and reporting responsibilities. Emphasis should be placed on a more efficient structuring of the industrial security staffing [REDACTED]	EAG DDCI	4/18/78 6/2/78	D/Sec	To be determined	Draft proposal to DDA by 7/7/78	None.	
Recommendation #7: That the Office of Legislative Counsel in coordination with the Office of General Counsel advise the DCI of legislative proposals which could severely impact on the procurement authorities of Section 8 of the CIA Act.		No determination. Recommendation requested by DDCI.		25X1A			Approval recommended. OL, DDS&T

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<u>Industrial Security Final Report</u>							
Recommendation #8: That CIA continue to utilize the ASPR to the maximum practicable extent except in those areas in which the FPR is mandatory for all Federal agencies.	No determination		Recommendation requested by DDCI				No mention of this item. Approval recommended. <i>OL, DDS&T</i>
Recommendation #9: That the D/Log continue to issue notices on procurement policy and procedures which complement the ASPR and FPR and permit sufficient flexibility for procurement responsiveness to mission requirements.	No determination		Recommendation requested by DDCI				No mention of this item. Approval recommended. <i>OL, DDS&T</i>
Recommendation #10: That the Agency continue to implement interagency agreements for the development of national collection programs.	No determination.		Recommendation requested by DDCI.				Approval recommended. <i>OL, DDS&T</i>
Recommendation #11: That the D/L issue procurement policy and procedural guidance for both Agency and National Programs and oversee their implementation.	No determination						No mention. Approval in different form in DDCI memo. Approval recommended. <i>OL, DDS&T</i>
Recommendation #12: That the <u>Project Officer's Manual</u> be updated and issued as a Headquarters Handbook to provide guidance for technical representatives involved in the industrial contracting process. Particular attention should be given to guidance on industrial security matters.	No determination.		Recommendation requested by DDCI.				Approval recommended. Working group should handle, headed by OL/PMS with OS, CC, DDS&T. <i>OL, DDS&T</i>
Recommendation #13: That the <u>Project Officer in the Contract Cycle</u> course be continued with emphasis on the specific role of the contracting officer, the auditor, the security officer, and the technical representative with respect to industrial security.	No determination.		Recommendation requested by DDCI.				Approval recommended. <i>OS, OL, DDS&T</i>

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<u>Industrial Security Final Report</u>			No determination.				No mention. Approved in different form in DDCI memo. Approval recommended by D/L. OL, DDS&T
Recommendation #14: That the D/Log, in coordination with the Deputy Director for Science and Technology (DDS&T), establish contract review procedures which will ensure adherence to Agency procurement policy consistent with National Programs requirements.			No determination.				Approval recommended. OL, DDS&T
Recommendation #15: That the Inspector General conduct periodic functional audits and inspections of the industrial contracting process.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T
Recommendation #16: That the Director of Finance and the Chief, Det A, jointly conduct periodic reviews of the policies and procedures followed by each of their components for the purpose of assuring appropriate application of contract audit policy and procedures.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T
Recommendation #17: That the Inspector General arrange with representatives of the JCAA to conduct a joint survey to determine what action is required to improve audit services provided to Agency-managed National Programs.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T
Recommendation #18: That the General Counsel and the D/Log determine what further manpower may be necessary to enable the division to provide the desired legal support to the industrial contracting process while fulfilling its other assigned responsibilities.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T requests that they be a party to discussion because of heavy legal review requirements.

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<u>Industrial Security Final Report</u>			No determination. Recommendation requested by DDCI.				Approval not recommended, by OL. DDS&T defers to OL.
<u>Recommendation #19:</u> That the D/Log consider the establishment of a Deputy Director for Industrial Contracting.			No determination. Recommendation requested by DDCI.				Approval recommended, by OL. DDS&T defers to OL.
<u>Recommendation #20:</u> That the D/Log review the Procurement Management Staff to assure that it is staffed to carry its responsibilities.			No determination. Recommendation requested by DDCI.				Approval recommended, by OL. DDS&T defers to OL.
<u>Recommendation #21:</u> That the D/Log reduce [redacted] Office activities by redirecting competitive industrial R&D contracting responsibility to the component contracting teams.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T
<u>Recommendation #22:</u> That the Inspector General determine if the functional review of industrial contracting requires additional personnel.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, DDS&T
<u>Recommendation #23:</u> That the DDA establish a working group to develop procedures for implementing ISIR Recommendations #15, 16, 17, and 18, and report to the DDA within 60 days.			No determination. Recommendation requested by DDCI.				Disapproval recommended. 15, 16, 17, and 18 approved and moving toward implementation. OL, DDS&T
<u>Recommendation #24:</u> That the D/Log (for contracting officers) and D/Fin (for auditors) participate jointly with Agency procurement components in preparing Letters of Instruction. The D/L and the D/Fin shall also prepare written evaluations of their personnel assigned to Industrial Contracting Teams to ensure assessment of their technical performance. These evaluations shall be shown to the individuals concerned, attached to their fitness reports and included in their official personnel files.			No determination. Recommendation requested by DDCI.				Approval recommended for contracting officers consistent with EAG approval included in DDCI letter as para. e. (see page 12 of this report). OL, DDS&T

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<u>Industrial Security Final Report</u>							
Recommendation #25: That a compartmented contract management system be developed which will include the requirements of the users of CONIF, STEPS and SPA, and that the D/Log establish procedures for utilizing this system to monitor the performance of Agency contracting elements.	Conditional approval EAG DDCI	5/23/78 6/2/78				Superseded	No reporting on this item as it is superseded by item f. of this report.
Recommendation #26: That the DDS&T seek guidance from the Director, NRO, regarding accountability for property acquired with National Programs funds.	Approved EAG DDCI	5/23/78 6/2/78					None.
Recommendation #27: That the DDA, in coordination with the DDS&T, establish a computer-supported system to aid in control of classified document exchanges throughout the Agency's industrial contracting program.			No determination. Recommendation requested by DDCI.				Approval recommended. OL, OS
EAG - 5/23/78							
a. The Agency will maintain the dual delegation of contracting authority to the Director of Logistics and to the Chief, Contracts Staff, OD&E, as the National Programs Contracting Officer, DDS&T, for Agency and National Programs, respectively.	Approved EAG DDCI	5/23/78 6/2/78				Complete	No action necessary. Continuation of existing arrangement.

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<u>RECOMMENDATION OR DIRECTION</u>	<u>APPROVAL</u>	<u>STATUS</u>	<u>ACTION ASSIGNED TO</u>	<u>NECESSARY FOR IMPLEMENTATION</u>	<u>TARGET COMPLETION DATE</u>	<u>STATUS</u>	<u>COMMENT/RECOMMENDATION</u>
b. The DDS&T shall establish a National Programs Contract Review Board to review system procurements and associated source selection procedures. The Board shall be chaired by the Associate Deputy Director for Science and Technology and have the following membership: The Director of Logistics or in his absence a representative appointed by him; a Senior Program Manager appointed by the DDS&T; a Legal Advisor appointed by the General Counsel; the Comptroller, DDS&T, as a representative of Director of Finance; and a Security Advisor appointed by the Director of Security. The Chief, Procurement Management Staff, DDS&T, and a representative of Detachment A DCAA will act as advisors to the Board. The Board at its initial meeting shall recommend to the DDS&T its procedures, types of procurements, and criteria for procurements that will be subject to its review and approval. A copy of these procedures will be submitted for my approval.	Approved EAG DDCI	5/23/78 6/2/78	DDS&T	Meet, establish charter, implement	ASAP	A working draft has been prepared for establishment and staffing of the Board. The initial meeting of the Board is scheduled for early July at which time the Board shall prepare and submit to the DDS&T its recommendations as to procedures, types of procurement, and criteria for procurements that are subject to its review and approval. A copy of these procedures will be submitted to the DDCI for approval.	D/L, as member, will assist as required.
c. The DDS&T shall revise and update the current delegations of contracting authority for National Programs from the DCI to the Chief, Contract Staff, OD&E, to include the following provisions:	Approved EAG DDCI	5/23/78 6/2/78	DDS&T	Revise delegations	7/78	The contracting authority for National Programs has been prepared and is awaiting approval of General Counsel prior to transmittal to the DDCI.	None
(1) The National Programs Contracting Officer has direct access to the Director of Logistics for coordinating substantive matters and shall bring to his attention any problem that could result in embarrassment or legal difficulty for the Agency.							

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<u>RECOMMENDATION OR DIRECTION</u>	<u>APPROVAL</u>	<u>STATUS</u>	<u>ACTION ASSIGNED TO</u>	<u>NECESSARY FOR IMPLEMENTATION</u>	<u>TARGET COMPLETION DATE</u>	<u>STATUS</u>	<u>COMMENT/RECOMMENDATION</u>
(2) The National Programs Contracting Officer shall establish review procedures which will ensure adherence to Agency procurement policy consistent with National Programs requirements. Any policy differences, which cannot be reconciled,.. shall be submitted to me with a request, accompanied by justification, for policy exception.							
d. The Director of Logistics shall ensure that the Procurement Management Staff, OL, makes periodic inspections of the OD&E Contract Staff.	Approved EAG DDCI	5/23/78 6/2/78	D/L			Complete	Revision 3 to Procurement Note No. 23 schedules National teams for review.
e. The DDS&T shall provide that the Director of Logistics or his designee, Chief, Procurement Management Staff, OL is the reviewing official on fitness reports for the Chief, Procurement Management Staff, DDS&T, and for the Chief, Contracts Staff, OD&E.	Approved EAG DDCI	5/23/78 6/2/78	DDS&T	Agreement between DDS&T and OL		Complete	Memo sent to DDS&T on 6/29/78 outlining procedure.
f. Concerning Recommendation #25, the DDA and DDS&T will work together to establish an appropriate data base to ensure that essential contract information is readily available for responding to questions on Agency contracting activity.	Approved EAG DDCI	5/23/78 6/2/78	DDA-DDS&T	Establish working group to review requirements, establish action plan and implement.	12/31/78	DDS&T has assigned [redacted] [redacted] working group. will represent OL.	Completion date is difficult to assign pending determination of requirement.

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U.S. GOVERNMENT PROPERTY
78-2253
Executive Registry
2/1/1978

9 JUN 1978

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MEMORANDUM FOR: Deputy Director for Administration
Deputy Director for Science and Technology
General Counsel
Legislative Counsel
Inspector General

FROM : Frank C. Carlucci
Deputy Director of Central Intelligence

SUBJECT : Contractual and Industrial Security Oversight

REFERENCES : a. [REDACTED] dated February 1978,
Subject: Industrial Contracts and
Industrial Security Final Report

b. [REDACTED] dated December 1977,
Subject: Industrial Security Interim
Report

1. (U) Action Requested: Addressees are requested to implement the direction in Paragraph 3 as soon as practical.

2. (S) Background: In September 1977 the Acting DCI established a task force to make a comprehensive review of our organization structure, policies, and procedures by which we carry out our program of industrial contracting and security. The reports of this task force are contained in References a and b and were the subject of EAG meetings on 18 April 1978 and 23 May 1978.

3. (S) Position: As a result of these reviews and discussion, I have approved or am directing the following actions:

a. The Agency will maintain the dual delegation of contracting authority to the Director of Logistics (D/L) and to the Chief, Contracts Staff, OD&E, as the National Programs Contracting Officer, DDS&T, for Agency and National Programs, respectively.

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SUBJECT: Contractual and Industrial Security Oversight

b. The DDS&T shall establish a National Programs Contract Review Board to review system procurements and associated source selection procedures. The Board shall be chaired by the Associate Deputy Director for Science and Technology and have the following membership: The Director of Logistics or in his absence a representative appointed by him; a Senior Program Manager appointed by the DDS&T; a Legal Advisor appointed by the General Counsel; the Comptroller, DDS&T, as a representative of Director of Finance; and a Security Advisor appointed by the Director of Security. The Chief, Procurement Management Staff, DDS&T, and a representative of Detachment A DCAA will act as advisors to the Board. The Board at its initial meeting shall recommend to the DDS&T its procedures, types of procurements, and criteria for procurements that will be subject to its review and approval. A copy of these procedures will be submitted for my approval.

c. The DDS&T shall revise and update the current delegations of contracting authority for National Programs from the DCI to the Chief, Contracts Staff, OD&E, to include the following provisions:

(1) The National Programs Contracting Officer has direct access to the Director of Logistics for coordinating substantive matters and shall bring to his attention any problem that could result in embarrassment or legal difficulty for the Agency.

(2) The National Programs Contracting Officer shall establish review procedures which will ensure adherence to Agency procurement policy consistent with National Programs requirements. Any policy differences, which cannot be reconciled, should be submitted to me with a request, accompanied by justification, for policy exception.

d. The Director of Logistics shall ensure that the Procurement Management Staff, Office of Logistics, makes periodic inspections of the OD&E Contracts Staff.

e. The DDS&T shall provide that the Director of Logistics or his designee, Chief, Procurement Management Staff/OL, is the reviewing official on fitness

SUBJECT: Contractual and Industrial Security Oversight

reports for the Chief, Procurement Management Staff, DDS&T, and for the Chief, Contracts Staff, OD&E.

f. Concerning Recommendation 25 of Reference a, the DDA and DDS&T will work together to establish an appropriate data base to ensure that essential contract information is readily available for responding to questions on Agency contracting activity.

g. The EAG on 18 April recommended the adoption of Recommendations 3 through 6 of Reference a and Recommendations 1 through 18 of Reference b, which were previously approved by the DCI. In view of the foregoing, the Director of Security shall implement the necessary actions to implement Recommendations 3 through 6 of Reference a as soon as possible. I would like a progress report at the end of 60 days. Recommendations 1 through 18 of Reference b require implementation or action by a number of Agency components as follows:

<u>Recommendation</u>	<u>Component</u>
1	OGC
2	OGC/OLC
3	D/Sec
4	D/CO
5	D/Sec
6	D/Sec
7	D/Sec
8	IG
9	D/CO
10	D/Sec & D/L
11	D/Sec
12	D/Sec
13	D/Sec

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<u>Recommendation</u>	<u>Component</u>
14	D/Sec
15	D/L
16	D/L
17	D/L
18	D/Sec & OGC

I would appreciate a progress report from the DDA on the implementation or action taken on these recommendations also in 60 days. Independent offices are requested to submit their reports to the DDA for consolidation.

The DDA is requested to review the remaining Recommendations 2, 7 through 10, 12, 13, 15 through 24, and 27 of Reference a for suitability of adoption and give me his recommendation within 30 days. The DDS&T will implement Recommendation 26. Where another Directorate or Independent Office is affected, their coordination is requested.



Frank C. Cariucci

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5-INSPECTOR GENERAL
78-1630

8-REG

Executive Registry
78-9280/4

DO/A Registry
78-2253/10

MEMORANDUM FOR: Deputy Director of Central Intelligence
FROM : John H. Waller
Inspector General
SUBJECT : Contractual and Industrial Security Oversight
REFERENCE : Multiple Addressee Memo, dated 10 July 1978,
from DDCI, same subject (ER 78-9280/2)

1. Action Requested: Approval is requested for the proposed implementation of those recommendations assigned to the Inspector General by reference, as stated in paragraph 10.

2. Background: By reference, the Inspector General was assigned implementing action for four of the recommendations of the Task Force on Industrial Contracts and Industrial Security:

a. Recommendation No. 8 of the December 1977 Interim Report recommended, "That the Inspector General perform periodic functional reviews of the Agency Industrial Security Program."

b. Recommendation No. 15 of the February 1978 Final Report recommended, "That the Inspector General conduct periodic functional audits and inspections of the industrial contracting process."

c. Recommendation No. 17 of the February 1978 Final Report recommended, "That the Inspector General arrange with representatives of the DCAA [Defense Contract Audit Agency] to conduct a joint survey to determine what action is required to improve audit services provided to Agency-managed national programs."

d. Recommendation No. 22 of the February 1978 Final Report recommended, "That the Inspector General determine if the functional review of industrial contracting requires additional personnel."

3. Staff Position: The need for a review of the Agency's Industrial Security Program called for in Recommendation No. 8 was anticipated when the scope of the Domestic Inspection Survey was agreed upon by the Director and the Inspector General in September 1977. It was decided to delay this review until the Fall of 1978

to allow the Director of Security sufficient time to develop and implement directives concerning industrial security and to establish his new organization for supervising industrial security practices. This would enable this Office to assess the effectiveness of the new directives, procedures, and organizational arrangements.

4. Our Domestic Survey Team should be able to complete an initial review of the Office of Security's Industrial Security Program by December 1978. From our preliminary discussions with the Office of Security, the Team should be able, by that time, to:

- review the implementation of the standards and procedures of the new Industrial Security Manual.
- review the effectiveness of industrial security audits conducted by OS.
- review the role and functions of the Industrial Security Officers in the field.

This proposed schedule for an initial survey is dependent upon the early approval and implementation of the Industrial Security Manual and other related directives that are currently being prepared.

5. With respect to Recommendation No. 15 which calls for the Inspector General to conduct audits and inspections of the industrial contracting process, this Office plans to undertake a special study of the Agency's industrial contracting process as part of its FY79 Inspection Plan and to establish a survey team for this purpose. We would expect that a joint audit/inspection team would be formed and that the study would be underway by April 1979. This timing would allow the components concerned sufficient time to implement the new industrial contracting procedures before an OIG team surveyed their effectiveness. Depending on the results of this initial survey, we may need to resurvey this activity every two to three years.

6. Additionally, the Audit Staff will continue to examine contract administrative procedures during their scheduled audits of Agency components. These audits include a review of documentation, payment procedures, and compliance with Federal and Agency regulations. Our auditors will continue to identify areas for subsequent examinations and will familiarize themselves with new procedures as they are implemented.

7. Our recent inspection of the Office of Logistics identified certain problems in the industrial contracting area and made certain

recommendations [to be forwarded soonest]. Our proposed special study of industrial contracting will include an assessment of the implementation of those recommendations that are adopted.

8. On Recommendation No. 17 which calls for a joint survey with DCAA on ways to improve audit services provided to Agency-managed national programs, I have asked the Chief of the Audit Staff to meet with DCAA officials and report, by 1 January 1979, on what improvements in audit services are required and how those improvements might be brought about.

9. Recommendation No. 22 asked for a determination of the need for additional personnel to conduct functional reviews of industrial contracting. Since we will incorporate the inspection of industrial security and contracting into our formal Inspection Plan as a high-priority activity, I do not believe that we will require additional inspectors to accomplish these initial surveys. They will, of course, be undertaken in lieu of lower-priority component surveys and special studies. It may be necessary to borrow contract specialists from other components for this study. On the audit side, we will not know what the long-term requirements are for improvement in national program audit services until we have the report called for as a result of Recommendation No. 17. I will incorporate any Agency resource impact along with the report resulting from that Recommendation.

10. Recommendations: That you approve our proposal to:

- a. Conduct a preliminary survey of the Agency Industrial Security Program by December 1978, along the lines suggested in paragraph 4 above.
- b. Conduct a special study of Agency industrial contracting commencing in April 1979, as stated in paragraph 5 above.

(signed)
John H. Waller
John H. Waller

cc: DDA

SUBJECT: Contractual and Industrial Security Oversight

APPROVED: /s/ Frank C. Carlucci
Deputy Director of Central Intelligence

DISAPPROVED:
Deputy Director of Central Intelligence

DATE: 11 SEP 1978

DDA Distribution:

- 1 - DDS&T
- 1 - D/CS
- 1 - D/OL
- 1 - DDA Subj

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OFFICIAL ROUTING SLIP

TO	NAME AND ADDRESS		DATE	INITIALS
1	Mike Malinak 11 JUL 1978			kg
2				
3				
4				
5				
6				
	ACTION	DIRECT REPLY	PREPARE REPLY	
	APPROVAL	DISPATCH	RECOMMENDATION	
	COMMENT	FILE	RETURN	
	CONCURRENCE	INFORMATION	SIGNATURE	

Remarks:

Please continue to
monitor implementation of
all this. We don't want
things dropping between
the cracks.

11 JUL 1978

FOLD HERE TO RETURN TO SENDER

FROM: NAME, ADDRESS AND PHONE NO.

DATE

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 CONFIDENTIAL SECRET

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Contractual and Industrial Security Oversight

FROM: James H. McDonald Director of Logistics [REDACTED]		EXTENSION	NO.
		DATE	5 JUL 1978
TO: (Officer designation, room number, and building) EO/DDA 7/5		RECEIVED	FORWARDED
<p>1. XDDA</p> <p>2.</p> <p>3.</p> <p>4.</p> <p>5.</p> <p>6.</p> <p>7.</p> <p>8.</p> <p>9.</p> <p>10.</p> <p>11.</p> <p>12.</p> <p>13.</p> <p>14.</p> <p>15.</p>		OFFICER'S INITIALS <i>O</i>	
		COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)	
		Mike: I brought the status report portion of the attached over to you last Friday. I did not bring over the memo prepared for Jack's signature which would reply to Mr. Carlucci's 30 day requirement for feedback from the DDA on approvals on open task force recommendations. That memo is attached. We also have prepared a memorandum from Mr. Carlucci to components involved in implementation and recommendations.	
			

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